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RUEHMD/AMEMBASSY MADRID PRIORITY 3037
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RUEHRO/AMEMBASSY ROME PRIORITY 0557
RUEHTC/AMEMBASSY THE HAGUE PRIORITY 0803
RUEHME/AMEMBASSY MEXICO PRIORITY 3562
RUEHOT/AMEMBASSY OTTAWA PRIORITY 0558
RUEHBU/AMEMBASSY BUENOS AIRES PRIORITY 0998
RUEHSG/AMEMBASSY SANTIAGO PRIORITY 3251
RUEHMU/AMEMBASSY MANAGUA PRIORITY 0952
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C O N F I D E N T I A L SECTION 01 OF 04 CARACAS 000330

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SUBJECT: VENEZUELAN AGRARIAN LAND "REFORM": AMBITIOUS
GOALS MASK DIFFERENT AGENDA

RE: CARACAS 05 001356

Classified By: ECONOMIC COUNELOR ANDREW N. BOWEN FOR 1.4 (D)

Summary

¶1. (C) Venezuelan President HugoChavez' unrealistic goals for agrarian land refom--including the redistribution of 1.5 million hctares in 2006--are a smokescreen. It appears that the Government of the Bolivarian Republic of Veneuela (BRV) has no plan to achieve its stated aims. Demand for rural land, moreover, is limited. The goals, then, serve as threats to drive landowners to the negotiating table, where the government can take only the land it needs. Owners agree to "share" their land with the government under Chavez' celebrated "Chaz" method (see para 6) after BRV interventions, prejudicial treatment, and refusal to enforce court rulings effectively rule out all their other options. Chavez appears more focused on controlling the food supply chain than on redistributing large swaths of rural property, according to the editor of a ranching newspaper. In the meantime, the utopian rhetoric of sweeping land reform serves both to bully wealthy landowners and to play to Chavez' political base. End Summary.

Goals Ambitious...

¶2. (U) Venezuelan President Hugo Chavez has announced ambitious goals for rural land redistribution. Chavez told

listeners during his January 8 "Alo Presidente" broadcast that he had a goal of granting peasants 1.5 million hectares of land in 2006. Chavez announced in late January that the federal government would start up the Agricultural Bank of Venezuela with a budget of 700 billion bolivars (over USD 325 million at the official exchange rate), according to press reports. Another 700 billion, he said, was approved for the Development Fund for Agriculture, Fishing, Forests, and Related Issues (FONDAFA).

...But Exaggerated...

13. (C) During the swearing-in ceremony for the directors of the Agricultural Bank, government spokesmen announced private banks would provide six trillion (sic) bolivars (USD 2.8 billion) and public banks would provide 2.9 trillion (USD 1.3 billion) to the agricultural sector in 2006. The discrepancy between the trillions in planned lending and the billions budgeted may represent BRV exaggeration rather than mistaken arithmetic. In another apparent overstatement, Chavez and government press releases claimed in early January that the BRV transferred 1.3 million hectares to peasants in 2005. If true, the BRV would have given to peasants 20 percent of Venezuela's arable land, a colossal feat even for an efficient bureaucracy. An official in the judicial issues office of the BRV's National Land Institute (INTI) told us February 2 he had never heard of the 1.3 million figure, which he called inaccurate. He said during 2003 the BRV planned to transfer 2 million hectares to peasants but only managed to turn over 100,000.

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...Ignored...

14. (C) Chavez has a history of announcing sweeping land transfers that peter out in a few months, as well as demanding surveys of idle land that are never carried out. Although Venezuelan bureaucracies are skilled at hatching elaborate strategies and regulations, INTI has not articulated a concrete plan for expropriation. Rancher and nature preserve owner Jaime Perez Branger told us January 11 that INTI's failure to design objective standards to evaluate land productivity had prevented the government from taxing land effectively. Still, this foot dragging appears to be tolerated by the BRV. Unlike former Housing Minister Julio Montes, whom Chavez chastised and fired in mid-2005 for his ministry's slowness in transferring urban property, BRV officials in the agricultural sector have escaped Chavez' wrath.

...And Disingenuous

15. (C) Because of the low demand for rural land, the redistribution of rural property may not even be a priority for the government. Perez Branger said that although the government was under some pressure from peasants to redistribute, the most sought-after land was close to cities. According to press reports, some 3,000 people awaiting government housing in the city of Maracay blocked streets in protest February 2. In contrast, members of agricultural cooperatives complained they were losing harvests because Mission Mercal (the BRV's subsidized grocery program) bought too little of their product, according to an October 2005 report on a pro-Chavez website. Blaming insufficient credits from FONDAFA, the farmers added they lacked tools, irrigation, and the means to get their goods to market. For its part, FONDAFA is not a model of success, either, as 70 percent of its loans are in arrears, the president of rancher association Fedenaga told Econcouns.

Stacking the Deck

¶16. (U) The Venezuelan Government's actions, then, may be attempts to force landowners to the table, which it tilts in its favor before "negotiating" for specific pieces of property. Chavez in October 2005 called landowners to avoid the courts by participating in his "Chaz Method," in which they would voluntarily allow the government to use part of their land. He pledged not to fight, however, if they chose to defend their land through the courts, offering to indemnify the owners for the land if they won their cases. Property owners' options in reality are more limited. Before Chavez concluded negotiations with landowner Carlos Azpurua for land in the original "Chaz" case ("Chaz" derives from CHavez plus AZpurua), soldiers had occupied the land and the National Assembly had approved the expenditure of over USD 10 million for the construction of a state "genetic production center" on the property. When landowners win cases in court, the government does not enforce the decisions. Fedenaga reported February 1 that 10 rulings in favor of

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landowners--including at least one from the Supreme Court--had not been enforced.

¶17. (U) Another BRV scare tactic is to rail against "latifundios," or estates considered illegal because of their "idleness." With no productivity standards to measure their property against, owners are left wondering whether the BRV will outlaw their own land. Even more land may be subject to capricious BRV rulings since 2005 "reforms" to the Venezuelan land law established that properties as small as 100 hectares could be declared latifundios.

¶18. (SBU) State governments have also adopted the policy of earmark for expropriation first and negotiate later. Guarico Governor Eduardo Manuitt in October 2005 said his government would "look for solutions" with landowners after he announced an inspection to determine which urban properties it would expropriate, according to press reports. In Aragua, the state legislature in October designated 50,000 hectares of rural and urban land subject to redistribution, including land owned by outspoken Chavez critic Cardinal Rosalio Castillo Lara. (Embassy note: The political blowback for taking the Cardinal's land could be substantial.)

¶19. (C) The government published a map showing where all of the cooperatives would be placed on Perez Branger's Paraima Ranch, and INTI ruled in October that only 14,000 of the ranch's 54,000 hectares were productive. Calling the government's bluff, Perez Branger told a BRV official to "just take all" his land. Immediately after the conversation, Perez Branger received a call from Chavez offering to arrange a meeting between the rancher and Interior Minister Jesse Chacon. During the meeting, Chacon blamed seizures on "old-fashioned leftists who wanted revenge," such as Agriculture and Land Minister Antonio Albarran. Perez Branger described ongoing negotiations as "fighting a duel with an opponent who knows you have no bullets."

Favoritism in Land Seizures

¶10. (C) Allies of the government are exempt from land confiscation. Former National Assembly deputy Jesus Garrido (AD) told reporters in October 2005 that Guarico Governor Manuitt owned 45,000 hectares. He also alleged that former Interior Minister Ramon Rodriguez Chacin paid USD 800,000 for a 1,500 hectare Barinas farm near the city. Chavez' father, Barinas Governor Hugo de los Reyes Chavez, is widely reported to be a large landholder. A Fedenaga advisor claimed during

a November 2005 meeting with poloffs that a high-ranking military officer was ordering the vandalism of property in Yaracuy State to drive down land value before buying it up himself.

Taking Over the Supply Chain

¶11. (C) Ruben Flores, editor of a rancher newspaper, argued during a January 26 meeting with poloff that major land expropriation was not Chavez' current focus. Instead, Flores maintained, Chavez meant to take over the whole food supply chain. According to Flores, Venezuelan and Cuban government

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officials, who are establishing Venezuela's "Planting Plan 2006," tell cooperatives what to grow. Next, the BRV obligates cooperatives to sell all production to Mercal stores through a heavily subsidized private company called PROAREPA. He added that Adan Chavez, the President's brother and Venezuela's Ambassador to Cuba, was getting rich from PROAREPA's business. (Embassy Note: The Agricultural section reports that PROAREPA sells to Mercal along with other companies such as Cargill and Polar, but the BRV favors PROAREPA in contracts. PROAREPA has become a major player in the agricultural sector since the 2002-03 strike. The involvement of specific BRV officials in the company, however, could not be confirmed.) Finally, the BRV closes the loop in the chain by controlling prices.

An Alternate View of Negotiations

¶12. (C) Interpreting results from his fourth trimester 2005 poll, Alfredo Keller reported that Chavez began dialog with property owners in late 2005 because the public opposed his threats to take over private property. Keller linked an increase in intention to vote for Chavez from 42 to 52 percent with Chavez' moderated behavior. He cited two questions in which a majority of respondents opposed land "interventions" (60 percent) and eliminating private property (57 percent). (Embassy note: We do not agree completely with Keller's argument. Chavez may revisit land reform intermittently to polish his revolutionary credentials. For Chavez, the sporadic treatment of land reform serves both to bully wealthy landowners and to play to the Chavista base. Besides, calls to redistribute large swaths of property remain part of Chavez' rhetoric, although threats against specific properties have diminished for now.)

Comment

¶13. (C) Inefficiency and incompetence may explain the BRV's failures to redistribute but not its lack of a plan. Improvisation is by design, as uncertainty works to the government's advantage. As it announces extravagant goals, intervenes in select properties, and encourages invasions, the Chavez administration compels landowners uncertain of their fates to settle a deal before their own property is affected. Uncertainty may also be a part of a Chavez strategy to divide and conquer. Hoping the revolution will pass them over, many producers keep a low profile rather than uniting with Chavez' enemies to fight for property rights. Chavez' vague pledges to redistribute property make his opponents surrender their own land just as the media law's threatened fines force the press to censor itself. Farmers are especially vulnerable to Chavez' power play because they rely on the BRV to establish adequate prices and to protect them from foreign products.
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